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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING
(PROPOSAL TWO)

Docket No. RM2020-7

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS 1-2 OF CHAIRMAN'S INFORMATION REQUEST NO. 4
(May 15, 2020)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 4, issued May 12, 2020. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 4

1. In Docket No. PI2017-1, the Postal Service expressed interest in seeking to find "a reliable and defensible measure of customer collection volume using [the City Carrier Cost System (CCCS)] data."[1] Specifically, the Postal Service stated that it would be beneficial to use the CCCS weighted data to accurately estimate customer collection mail volumes at the ZIP Code level.[2]

a. Please confirm that the Postal Service considered the CCCS in the current docket as a data source that would allow updating the volume mean for customer collection mail volumes.

b. If confirmed, please explain why use of such data was rejected and provide the results of any analysis that supported that decision.

c. If not confirmed, please explain why the Postal Service did not consider the CCCS data.

RESPONSE:

a. Confirmed.

b. As mentioned in the preamble to this question, the Postal Service did provide, at the beginning of the cited response, a conditional statement indicating that **if** the City Carrier Cost System (CCCS) data could be used to accurately measure collection mail volumes at the ZIP Code level, then its use could be beneficial:[3]

> Thus, if CCCS could be used to accurately measure customer collection volume, then the city letter route model could be updated without the use of expensive special studies.

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[1] Docket No. PI2017-1, Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 6, June 27, 2018, question 2 (Responses to CHIR No. 6). The CCCS is located in Docket No. ACR2019, Library Reference USPS-FY19-34, December 27, 2019 and Docket No. ACR2019, Library Reference USPS-FY19-NP22, December 27, 2019.

[2] *See* Docket No. PI2017-1, Interim Order, November 2, 2018, at 8 (Order No. 4869); Docket No. PI2017-1, Responses to CHIR No. 6, question 2.

[3] See, Responses of The United States Postal Service to Questions 1-5 Of Chairman's Information Request No. 6, Question 2, June 27, 2018.

However, the Postal Service spent the balance of that response indicating the reasons why there were material issues with using the CCCS data to accurately estimate customer collection mail volumes at the ZIP Code level:[4]

> The fact that sampled ZIPs are most commonly tested once per year highlights a fundamental difficulty with solely using CCCS collection data to estimate customer collection volume at the ZIP Code level.

The response also stated:[5]

> This possibly significant underestimate of a cost driver could result in material bias to the remaining coefficients in the model.

And:[6]

> However, even if the 'zero volume' issue can be properly addressed, other issues exist with accurately inflating CCCS data from a route to a ZIP code.

Having previously raised these concerns in Docket No. PI2017-1, the Postal Service contemplated the best use of the CCCS data to accomplish the goal of Proposal Two, which is to introduce a methodology for updating the delivered volume variabilities for city carrier regular delivery time, so that they reflect the changes in relative delivered volumes. In particular, the update is required because of arisen anomalous differences between the street time unit delivery costs for flats in FSS and non-FSS zones.

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[4] *Id.*

[5] *Id.*

[6] *Id.*

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In making the determination of how to use CCCS, two factors were considered. First, it was important to recognize that the delivered volumes used to estimate the variabilities in Docket No. RM2015-7 were extracted from an ongoing data system, DOIS, but the collection volumes used in that equation were calculated in a one-time special study. This is an essential distinction in considering the feasibility of using data from the ongoing CCCS to update the volume means. The Postal Service is confident that the relationship between two ongoing systems, DOIS and CCCS is sufficiently stable through time, in no small part because a large portion of the volumes in both systems come from the same machine counts. This confidence justifies the use of current CCCS delivered volume data in performing regular updates, because they mimic changes in DOIS delivered volumes. In contrast, the relationship between the collection volumes used in the Docket No. RM2015-7 City Carriers Street Time special study and current CCCS collection volumes is unknown. This materially undermines the confidence required to do a volume update. As both measures are solely based upon manual volume counts from different samples, using the collection volumes from CCCS raises the real possibility of incorporating error into the update.

The implication of this first factor leads to consideration of the second factor, that the *relative* delivery volumes are not affected by the inclusion of collection volumes

in the update. For example, as Table 1 shows, FSS volumes will be 3.99 percent of DPS volume regardless of whether or not the collection volume is updated.[7]

Table 1
Delivered Volumes as a Percentage of DPS Volume

Mail Type	Without Updating Collection Volume	With Updating Collection Volume
DPS Mail	100.00%	100.00%
Cased Mail	28.34%	28.34%
Sequenced Mail	9.43%	9.43%
FSS Mail	3.99%	3.99%

Given the uncertainties associated with using CCCS to update collection volumes, and given that using those volumes would not improve the accuracy of Proposal Two, the prudent approach is to limit the updated analysis to the delivered volumes. That approach permits correcting the FSS/non-FSS distortion without injecting unknown error into the analysis.

c. Not Applicable.

[7] The relative delivery proportions are found by comparing the means for each volume type with the mean for DPS volumes. The following table presents the means with and without updating the collection volumes using CCSTS, and is the basis for the proportions presented in Table 1.

Mail Type	FY 2019 Means Without Updating Collection Volume	FY 2019 Means With Updating Collection Volume
DPS Mail	33,841	33,210
Cased Mail	9,590	9,412
Sequenced Mail	3,191	3,132
FSS Mail	1,350	1,325
Collection Mail	2,653	3,547

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2. In Docket No. RM2019-6, the Postal Service used an annual operational study, the National Collection Point Management System (CPMS) density test, which "provides records of the volumes collected from collection points," as a data source for the Special Purposes Routes collection model.[8]

a. Please confirm that the National CPMS density test does not contain collection mail volumes retrieved from customers' receptacles.

b. If confirmed, please discuss whether the Postal Service considered using any data from the National CPMS density test in the current docket as a proxy for collection mail volumes retrieved from customers' receptacles. Please provide the results of any analysis that supported the decision not to use data from the National CPMS density test as a proxy for customer collection mail volumes in the current docket.

c. If not confirmed, please explain why these volumes were not used to update the volume mean for collection mail in the current docket.

RESPONSE:

a. Confirmed.

b. There are two reasons the Postal Service did not use National CPMS density test data from Docket No. RM2019-6. First, the CPMS density test measures volumes that are deposited in street letter boxes and other collection mail receptacles. These volumes are collected primarily by Special Purpose Route carriers. In contrast, the volumes included in the letter route street time analysis are those pieces collected directly from customers. For the former to serve as a reasonable proxy for the latter in a volume update, the trends in the two types of volume must be similar. The Postal Service has no basis for concluding that the trend in volumes collected from street

[8] *See* Docket No. RM2019-6, Order on Analytical Principles Used in Periodic Reporting (Proposal One), January 14, 2020, at 18 (Order No. 5405).

letter boxes is sufficiently similar to the trend in volumes collected from customers. Second, the CPMS data used in Docket No. RM2019-6 were collected in September 2017, and are thus not from the same time period as the FY2018 CCCS data.

c. Not Applicable.